



NATIONAL ENDOWMENT FOR THE

Humanities

OFFICE OF GRANT MANAGEMENT

CHARGES TO A GRANT FOR EQUIPMENT AND FACILITIES OWNED BY A GRANTEE

A grant is a form of financial assistance that is provided to a grantee so that it can undertake its own project. Since grantees do not perform services for the Endowment but work on their own projects, the federal cost principles that govern grant expenditures require that charges to a project for work performed by a grantee must be based on the actual costs of the activities. It would, therefore, be inappropriate for an organization to calculate charges to a grant for the use of its own equipment and facilities on the basis of commercial rates for renting or leasing such items or on the basis of a rate schedule that includes profit.

When equipment or facilities are owned by an applicant, the applicant must indicate this in the budget and explain how the charges to the grant were calculated. For equipment and facilities that are not fully depreciated, actual costs would be determined on the basis of the acquisition costs, divided by the useful life, times the period of use on the project. For equipment and facilities that have been fully depreciated, charges to operate the asset, including the cost of maintenance, insurance, and other related expenses, are allowable.

Whenever charges are made to a project for the use of equipment or facilities that belong to an organization that has a less-than-arms-length relationship with the applicant, the procedures outlined above have to be followed. A less-than-arms-length relationship exists when one party is able to control or substantially influence the actions of another party. Such relationships include but are not limited to those (1) between divisions of an organization; (2) between organizations under common control through common officers, directors, or members; or (3) between organizations when the director, trustee, officer, or a key employee of one organization or member of that person's family hold a controlling interest in the other organization.